



TRADE RISKS' SECURED CASH SERVICES

SUMMARY

TradeRisks' Secured Cash Services (TR SCS) allows clients to deposit cash whilst receiving Gilts as collateral. Such collateral mitigates the counterparty risk associated with bank deposits or other traditional means of cash management. TR SCS achieves this by entering into Repurchase Agreements ("Repo's"). Under a Repo agreement the cash deposited is returned, in exchange for the collateral held, on a specified date, along with interest accrued at the Repo rate agreed at the time of deposit.

Because they address counterparty risk, Repo's have now largely replaced unsecured lending between Financial Institutions. The Bank of England uses Repo's as its tool for managing money market operations. However, Repo's are not generally available to non-Financial Institutions. TR SCS is designed to address this gap by allowing its clients to manage cash while benefiting from the flexibility and security of Repo.

TR SCS can be used by suitable institutional clients and can be accessed by signing a TR SCS Agreement.

CREDIT RISK MONITORING

TR SCS monitors the credit quality of the Repo Counterparty institutions and applies strict criteria to determine if counterparties are suitable. TR SCS monitors daily the market value and quality of collateral provided by Repo Counterparties to ensure coverage is adequate. TR SCS manages the daily settlement of collateral transfers.

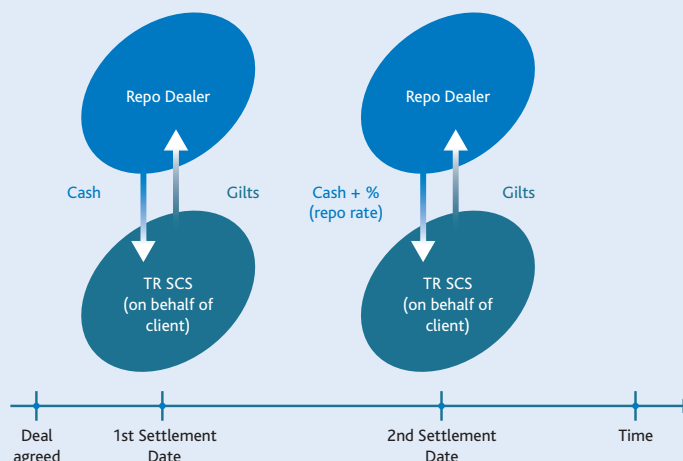
DEPOSIT TERMS

- TR SCS offers deposits on a rolling overnight basis, or for fixed terms.
- The interest rate paid on a deposit will be the market interest rate achieved under TR SCS's Repo Agreements, and will vary according to market conditions and size and term of deposit.
- Currently, the variable rate paid on a £10m rolling overnight deposit is SONIA minus 10bps (before fees).
- TR SCS charges an investment management fee of 0.125%, to be deducted from the interest paid.
- Minimum initial deposit: £5m.
- Minimum subsequent transaction size: £1m.

WHAT IS A REPO?

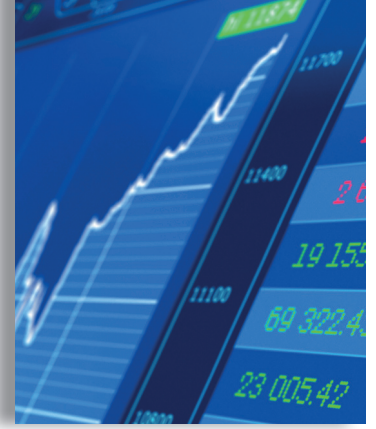
From the point of view of a client of TR SCS, a repo can be thought of as a collateralised form of short-term lending. It is an agreement to purchase a security for cash and then, at the end of the Repo term, receive that cash plus interest accrued at the 'Repo rate' when the security is repurchased by the original holder.

Repos vary in length, with longer term Repos attracting a higher rate of interest. Rolling overnight repos can be used to allow same day access to the cash deposited





TRADE RISKSTM



USING TR SCS

Clients will need to satisfy TR SCS counterparty conditions, driven by regulatory and other considerations.

The TR SCS Agreement:

- provides for TR SCS to hold the client's money in a client account at TradeRisks Custodian bank;
- provides for TR SCS to lend out the client's money under collateralised Repo Agreements with suitable counterparties;
- establishes the terms of the relationship between the client and TR SCS; and
- describes the process for making and withdrawing deposits.

CREDIT ANALYSIS

Client cash will be held in a client account at TradeRisks' Custodian bank, HSBC. When cash is lent out on Repo, the Repo Counterparty will provide Gilts as collateral. This collateral will legally be owned by the Custodian, holding it on trust for the benefit of the client. In the event of a default by the Repo Counterparty, the Custodian will retain the ownership of the collateral for the benefit of the client. The high quality and liquid nature of the collateral, and the fact that high quality securities may be expected to appreciate in value in the event of a major bank defaulting, combine to substantially mitigate the likelihood and magnitude of any loss to the client.

To find out more and to receive the TR SCS documentation,
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TR SCS is a trading name of TradeRisks Limited. TradeRisks Limited is an FSA regulated corporate finance and investment management firm providing independent advice, financing and risk management solutions to UK and international corporate and sovereign entities and is authorised as a discretionary investment management firm to hold client money and assets.

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